Redevelopment Housing Activities

Fiscal Year 2003-2004

Department of Housing and Community Development

State of California

Arnold Schwarzenegger, Governor

Sunne Wright McPeak, Secretary,

Business, Transportation and Housing

Judy Nevis, Acting Director, HCD

California Redevelopment Agency Housing Activities During Fiscal Year 2003/2004

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FOREWORD

In this report, the State Department of Housing and Community Development (Department) has compiled the data local redevelopment agencies are required to annually report on the Low and Moderate Income Housing Fund (Low-Mod Fund). This statewide report, in its 20th year, describes redevelopment agency use of the Low-Mod Fund to help address California's affordable housing crisis. Of California's 535 local governments, 418 (78 percent) have a redevelopment agency of which 386 were active over FY 2003/2004 based on reporting housing fund deposits and/or expenditures.

California's Affordable Housing Crisis

Housing is not only a significant component of the economy, it is pivotal to California's economic recovery and long-term economic competitiveness. Employers consistently cite the high cost of housing among the top reasons they cannot locate, or remain in California. The cost of housing in California is cited in major economic studies as a major detractor for the State's business climate. California's continuing housing shortage has resulted in unprecedented high housing costs and low homeownership rates, especially when compared to the rest of the nation.

The housing affordability challenge is first and foremost an availability problem, leading to what has been deemed a "housing crisis"[1] for California. Housing production has not kept pace with the State's housing needs, particularly in the coastal metropolitan areas. During the 1980s, 2.1 million units were built compared to only 1.1 million units in the 1990s. While the average annual need is projected at approximately 220,000 housing units, construction has lagged substantively below the need. Since 1999, generally less than 170,000 residential new construction permits have been issued each year. While 2004 saw the highest residential construction since 1989 with 212,960 new homes and apartments permitted, California still fell short of the need. Additionally, the State Department of Finance projects that California's population will continue to gain approximately 600,000 people annually over the next decade. This is the equivalent of adding a city the size of Long Beach every year for the next 10 years.

For potential homebuyers, continued double digit increases in California's home prices and low single digit mortgage rates have further increased demand for homeownership. The median price of a detached home ($485,700 as reported by California Association of Realtors for January 2005) increased 20 percent in 2004. However, the compound effect of home price increases offset the benefit of low mortgage rates that help homebuyers to qualify and afford homeownership. At the end of 2004, only 18 percent of California households could afford to buy the median priced single-family home whereas, nationwide, 55 percent of households could afford homeownership. California's 2003 homeownership rate of 59 percent was 10 percentage points lower than the national rate.

Currently, only one-fourth of all residential permits are for multifamily, a decline of nearly 70 percent since the levels of the mid-1980s. For renters, the continued low production of multifamily units has resulted in steep rent increases and significant housing overpayment. More than 40 percent of California's households are renters. Census 2000 data indicates nearly 40 percent of all renters spend more than 30 percent of income on rent and approximately 25 percent spend more than 50 percent of income on rent. California families earning minimum wage are particularly burdened by high rent because of an inadequate supply of affordable rental housing. For example, the National Low Income Housing Coalition reported in 2004 that California renters would have to earn at least $21 an hour--more than three times the minimum wage--to afford the average rent for a two-bedroom apartment. In other words, our lowest income residents—e.g., kindergarten teachers, office and retail clerks, farmworkers, nurses' aides have difficulty affording basic shelter in this State.

Strong demand for a constrained supply in areas where people already live and where jobs are being created drives prices and rents even higher. As a result, workers have to move farther and farther away from job centers in search of affordable housing, creating inefficient land use patterns that threaten the State's natural and agricultural resources and Californians' qualify of life.

Role of Redevelopment Agencies

Redevelopment was created in 1945 to provide local governments the authority and funding mechanism (referred to as tax increment financing) to finance activities to improve blighted areas. Tax increment financing allows agencies to issue bonds and repay debt from receipt of all future "incremental" increases in property tax revenues diverted from other taxing entities (State and local governments and school and special districts). Agencies receive property tax increment over the life of a project area or until debt is repaid which, by law, must occur within 45 years from adoption of the redevelopment plan. In 1976, the law was amended to require agencies to annually set-aside at least 20 percent of tax increment into a separate Low-Mod Fund to address the community's affordable housing needs. Agency deposits to the Low-Mod Fund now approximate $1 billion per year.

Redevelopment agencies, working together with local government and private industry, play a vital role in addressing California's housing supply and affordability crisis by financially assisting in the development, improvement or preservation of housing for low and moderate-income households. Agencies can use their powers to tackle both the land use and the financing challenges of California's housing supply crisis. Agencies can promote infill development close to job centers and, from their various revenue sources, including the Low and Moderate Income Housing Fund (Low-Mod Fund), finance and subsidize the development of housing. The Low-Mod Fund represents the largest single source of funds that are steadily available to increase, improve, and preserve the supply of affordable housing.

Statutory Reporting Requirements

Redevelopment law (Health and Safety Code [H&SC], Section 33080) requires agencies to report Low-Mod Fund financial data (deposits, revenues, expenditures, and balances), and housing activity data to the Department no later than six months after the end of each fiscal year. Agencies must report, by project area, specified data on households assisted such as the number of elderly and non-elderly as well as the income level of households assisted. Pursuant to H&SC Section 33080.6, the Department is required to compile agency data and publish an annual report on redevelopment agencies' housing activities.

Data Compilation and Reporting of Agencies' Housing Funds and Activities

The Department continues to enhance its electronic on-line reporting system to facilitate agencies' efforts to accurately report annual data. In an effort to encourage on-line reporting, the Department annually conducts two training sessions at California Redevelopment Association conferences, provides interactive on-line training sessions, and provides personalized training sessions throughout the State. The on-line system allows the Department to identify and, in coordination with agencies, make corrections to accurately report financial data and housing assistance efforts. This reporting year, 220 agencies (more than half of all reporting agencies) used the Department's on-line system to electronically file reports, reflecting a 19 percent increase over the previous reporting cycle.

Although reporting issues concerning accuracy, consistency, and timeliness have improved, some problems remain that continue to impact the accuracy of the annual report, such as financial data reported to the Department that does not agree with audited financial statements or similar data reported to the State Controller. Accurate reporting is important to identify and analyze important trends regarding use of housing funds, and the overall effectiveness of redevelopment law and agency activities. To increase reporting accuracy this year, the Department contacted all agencies to encourage them to review their data using the Department's on-line system. Approximately twenty agencies identified reporting errors that were subsequently corrected. The Department will continue to improve its electronic reporting system and encourage agencies to report on-line for easier, faster, and more accurate reporting.

[1/] Bay Area Housing Profile: A report card on the supply and demand crisis / McPeak, Sunne Wright, [et al.] / Bay Area Council. -- San Francisco, CA: Bay Area Council, 2003.

The Crumbling California Dream: Erecting structural changes to solve CA's housing crisis / Cramer, Reid -- [Sacramento, CA] California Journal, 2005 / California Journal -January 2005 Issue (p. 25-28).

Locked Out: 2002: California's affordable housing crisis continues / California Budget Project (CBP) -- Sacramento, CA: CBP, 2002.

The Great Housing Collapse in California / Myers, Dowell; Park, Julie. -- Washington, DC: Fannie Mae Foundation, 2002.

Homes For Americans in the 21st Century: Challenges and Opportunities for the Nation / Cisneros, Henry G., for the John T. Dunlop Lecture, Joint Center for Housing Studies of Harvard University, Boston, MA, 2003.

L.A.'S Housing Supply Crisis: A plan to increase housing production in Los Angeles /Central City Association (CCA) -- [Los Angeles, CA] CCA of Los Angeles - Housing Production Committee, 2003.

Raising the Roof: California Housing Development projections and constraints, 1997-2020: Statewide Housing Plan update **/** California Dept. of Housing and Community Development -- Sacramento, CA: The Dept., 2000.

Rebuilding the Dream: Solving California's affordable housing crisis / Little Hoover Commission. – Sacramento, CA: The Commission, 2002.

"Smart Housing Policies Needed to Ease Housing Crisis**,"** Allan Zaremberg, Cal-Tax Digest Guest Commentary, June 2001.

Special Survey on Californians and their Housing / Baldassare, Mark./ Public Policy Institute of California (PPIC) -- San Francisco, CA: PPIC, 2004.

Trends in California Real Estate, Vol. 26 No. 2 (2005, February). California Association of Realtors.

California Business Roundtable, February 2004. (*"According to the California Competitiveness Project, relative growth and personal income have been in decline since the beginning of the 1990s. Over the same period the median home price has increased 92Percent.")*

Orange County Community Indicators Project, (*The cost of housing was the primary negative factor in the Orange County Executive Survey of 2004*), Santa Ana, CA.

HIGHLIGHTS OF CALIFORNIA REDEVELOPMENT AGENCIES' HOUSING FUNDS AND ACTIVITIES

Fiscal Year 2003/2004

The redevelopment agency data reported by the Department provides comprehensive and objective information concerning redevelopment agencies' use of their Low and Moderate Income Housing Fund (Low-Mod Fund). This information can be used to determine compliance with provisions of redevelopment law (Health and Safety Code, Section 33000, et seq.), evaluate the effectiveness of agencies' use of the Low-Mod Fund, and assess the extent to which agencies' programs, projects, and assistance help to increase, improve, and preserve the supply of low and moderate-income housing.

In comparison to last year, agencies reported an 8.9 percent increase in deposits of $1.2 billion to the Low-Mod Fund and a 3.4 percent increase in expenditures of $846 million. Agencies reported total fund equity (net worth) of more than $2.6 billion.

Based on information agencies reported for FY 2003/2004, this report describes certain trends regarding the amount and use of agencies' funds and the results of their housing activities. Although incidences of incomplete or inaccurate reporting are occurring less frequently, some reporting inaccuracies continue to hinder efforts to evaluate agencies' funds, programs, and projects for compliance with redevelopment law. Financial and housing activity data are displayed in Exhibits A-M with related details summarized in the beginning of each exhibit.

Highlights of redevelopment agencies' use of funds for housing activities and assistance are described below. A full summarization of agency data is included in the body of the report.

Highlights – Housing Fund

- *Agencies deposited $1.2 billion to the housing fund, an increase of $96 million (8.9 percent) compared to the previous year.*

- *Agencies spent $846 million of housing funds, $28 million (3.4 percent) more than last year.*

- *Total fund equity or net worth exceeded $2.6 billion at the end of FY 2003/2004.*

- *The statewide unencumbered balance reported at year end was $1.2 billion which represents the amount available for future housing activities. Of this unencumbered amount, agencies reported $431 million as designated for use in the near term, leaving $811 million as undesignated and immediately available for housing activities. Most agencies (326) reported an unencumbered balance. Of those, 66 percent (216) reported having an unencumbered balance over $1 million, whereas last year 178 agencies had an unencumbered balance greater than $1 million. Of this year's 216 agencies:*

  - *152 reported an unencumbered balance between $1 and $5 million;*
  - *31 reported between $5 and $10 million; and*
  - *33 ended the year with an unencumbered balance of more than $10 million. The sum of the unencumbered balances for these agencies exceeds $651 million and represents 54 percent of the statewide unencumbered balance of $1.2 billion.*

- *Five agencies exempted $15 million of tax increment from deposit to their housing fund, an increase of $2 million from last year.*

- *Nine agencies deferred $3.8 million of tax increment that must be repaid to the Low-Mod Fund. Fifteen agencies repaid $1.8 million for deferrals taken in previous years. The accumulated deferral balance owed the housing fund represents $175.5 million.*

- *Fifty-one agencies reported having Excess Surplus totaling $115 million, more than double the $53 million reported in FY 2002/2003 by 46 agencies. Although Excess Surplus has been reported in prior years, no agencies are known to have had Excess Surplus beyond the three year time period in which penalties would apply.*

Highlights – Housing Activities

- *Agencies assisted 24,204 households. Assistance to elderly households totaled 9,046 whereas non-elderly households were 15,158. Agencies used their Low-Mod Fund to assist households with the following income levels: 11,185 very-low (46 percent); 7,168 low (30 percent), and 2,602 moderate (11 percent).*

- *Agencies reported assisting 8,489 units that meet the "inclusionary" requirement for units to remain affordable beyond 30 years. These units consisted of 7,721 reported as new construction, 575 rehabilitated and 193 multifamily in which long term affordability covenants were purchased.*

- *Low-Mod funds assisted in the replacement of 1,701 units that were counted toward agencies' obligations to replace units destroyed over the last four years.*

- *Agencies reported activities (non-inclusionary or non-replacement activities) assisting in constructing 2,680 units; rehabilitating 4,321; subsidizing 1,794 households and providing several other kinds of assistance benefiting an additional 5,219 households.*

- *Agencies (44) reported 770 dwelling units were destroyed in FY 2003/2004, and 41 agencies reported 1,089 units need to be replaced. Over the reporting year, 11 agencies displaced a total of 256 households in the current year, and 27 agencies estimate 295 households will be displaced next year.*

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Exhibits and Appendices (continued)

Redevelopment Agency Activities – Fiscal Year 2003/2004

This report provides the financial status of agencies' Low and Moderate Income Housing Fund (Low-Mod Fund) and housing production and assistance activities over the reporting fiscal year. The *Housing Funds* section reports Low-Mod Fund revenues and expenditures from data displayed in Exhibits A through D. The *Housing Activities* section reports data contained in Exhibits E through M such as the number of low- and moderate-income households assisted by each income category and the number of elderly and non-elderly households assisted. Exhibit data reflects information reported by most, but not all, 418 redevelopment agencies. Agencies not appearing in particular exhibits may not have any activity to report or may have been inactive over the reporting year. Thirty one agencies were inactive as they did not report any revenues or expenditures over this reporting year.

All redevelopment agencies are required to annually report Low-Mod Fund information to the Department of Housing and Community Development (Department) within six months after the end of the fiscal year. Agencies have the option of reporting either electronically or by completing paper forms (Schedules A through E are shown in Appendix 2).

HOUSING FUNDS

This section reports on the statewide sources and uses of agencies' Low-Mod Fund. Amounts specific to redevelopment project areas are reported in Exhibits A-1 and A-2. Tax increment that some agencies are allowed to exempt and/or defer from deposit is reported in Exhibits B-1 and B-2. Low-Mod Fund data such as total revenues, expenditures, assets, and fund balances, etc. are reported in Exhibits C-1 through C-8. Exhibit D provides information on *Excess Surplus* when agencies accrue and report such information.

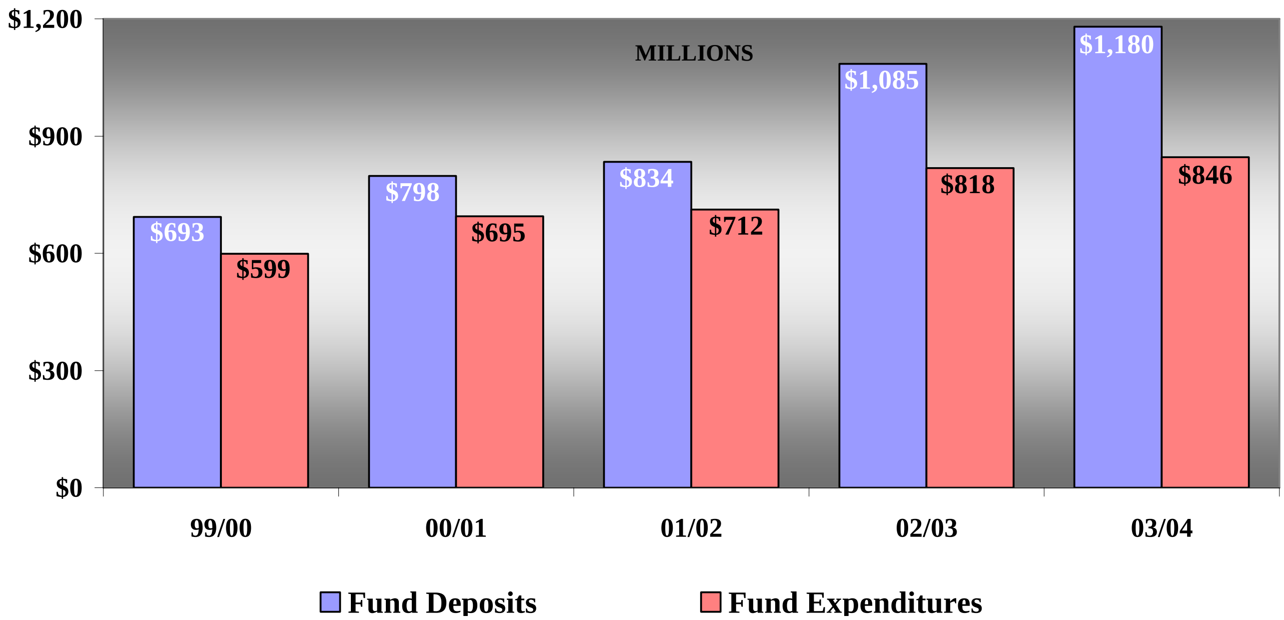
<u>Sources of Housing Funds</u> (Exhibits A-1, A-2, and C-1)

Agencies deposited close to $1.2 billion to the Low-Mod Fund (Exhibit C-1), $96 million more than the prior year. Deposits consisted of more than $1.05 billion of project area receipts and $126 million of Low-Mod Fund (non-project area) revenues such as bond proceeds and transfer amounts. Sources of project area receipts (Exhibit A-1) consisted of $598 million in tax increment deposits, $1.8 million in repayments of tax increment deferred in past years, and $453 million of additional income (Exhibit A-2). Additional income includes $181 million in debt proceeds, $33 million in interest, $66.5 million from loan repayments, $29 million from sales of real estate, $12 million from rents and leases, $2 million from grants, $70 thousand received in fees for agency administration of bonds, and $129 million reported as other income from various sources other than those identified above.

Comparison of Deposits to Expenditures (Exhibit C-1)

Comparing annual deposits and expenditures over five years shows that both have consistently risen and that increases in deposits have exceeded increases in expenditures. For FY 2003/04, deposits were 8.7 percent higher than last year whereas expenditures increased 3.4 percent. Over this reporting year, agencies only spent 72 percent of deposits, increasing the Low-Mod Fund by $334 million.

Housing Fund: Comparison of Deposits to Expenditures



Tax Increment Exemptions and Deferrals (Exhibits A-1, B-1, B-2, and C-2)

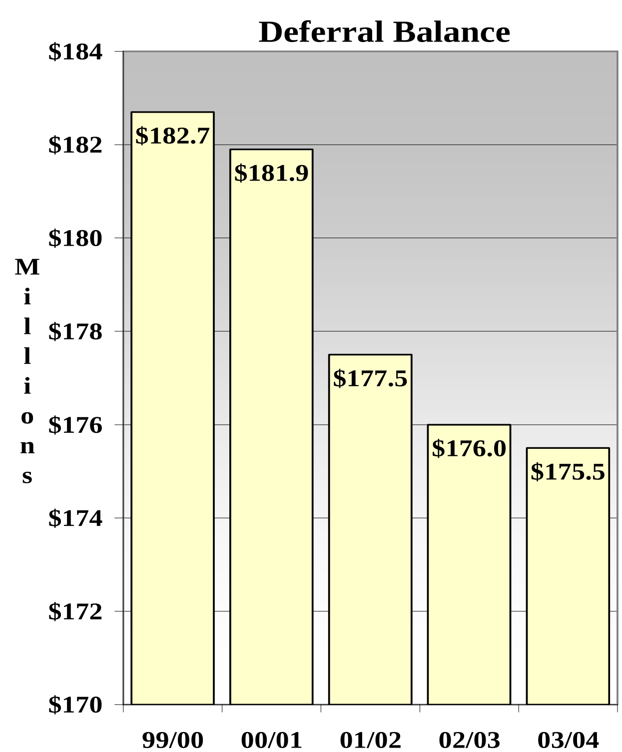
Exemptions: Health & Safety Code Section 33334.2(a) allows agencies to exempt from deposit to the Low-Mod Fund all or a portion of the required housing fund set-aside amount under very limited circumstances. Before taking an exemption, the agency's jurisdiction must have adopted a housing element that the Department determined complies with State housing element law. Also, agencies must annually adopt a resolution making one of the three findings below and demonstrate the finding is consistent with the adopted housing element:

- The community has no need to increase, improve or preserve the supply of affordable housing.
- Less than the required minimum set-aside is sufficient to meet the community's need.
- The community is making a substantial effort to meet its affordable housing need that is equivalent in impact to the funds exempted and the exemption is needed to meet specific existing obligations incurred before May 1991.

Exhibit B-1 reported five agencies (Brea, Industry, Needles, Paramount, and Rosemead) exempted $15 million of tax increment from deposit to the Low-Mod Fund, in comparison to $13 million reported in the prior year. For the current reporting year, the jurisdictions of all five agencies met the requirement of first adopting a compliant housing element before taking an exemption. Each agency also reported making a required finding and adopting a resolution. Redevelopment agencies' exemption findings and resolutions are required to be submitted to the Department, but, unlike housing element law, Department review and compliance certification of information submitted is not mandated. However, the Department found some agencies may have incorrectly exempted funds from deposit to the Low-Mod Fund. For example, one agency continued to use the original finding and resolution in place of annually making a finding and adopting a resolution. Another agency may have erroneously reported taking an exemption in place of a deferral.

Deferrals: Redevelopment law allows agencies, under specified conditions, to defer set asides to the Low-Mod Fund. Deferrals are allowed when funds are needed to repay certain debts specified in redevelopment law. Deferrals of tax increment reported in Exhibit B-2 constitute a debt to the Low-Mod Fund and agencies are required to develop repayment plans. Deferrals are treated as long-term receivables reported in Exhibit C-2 as *Additional Assets*. Agencies' deferral balance was $175.5 million at the end of FY 2003/04. Deferrals account for 19 percent of total *Housing Fund Assets* of $915 million.

For this reporting year, 9 agencies deferred $3.8 million and 15 other agencies repaid $1.8 million in prior year deferrals. The graph on the left shows this year's deferrals of $3.8 million increased approximately $500 thousand compared to last year's deferrals of $3.3 million. The graph on the right shows a decrease in the deferral balance, but that a significant deferral balance of $175.5 million is still owed to Low-Mod Fund.

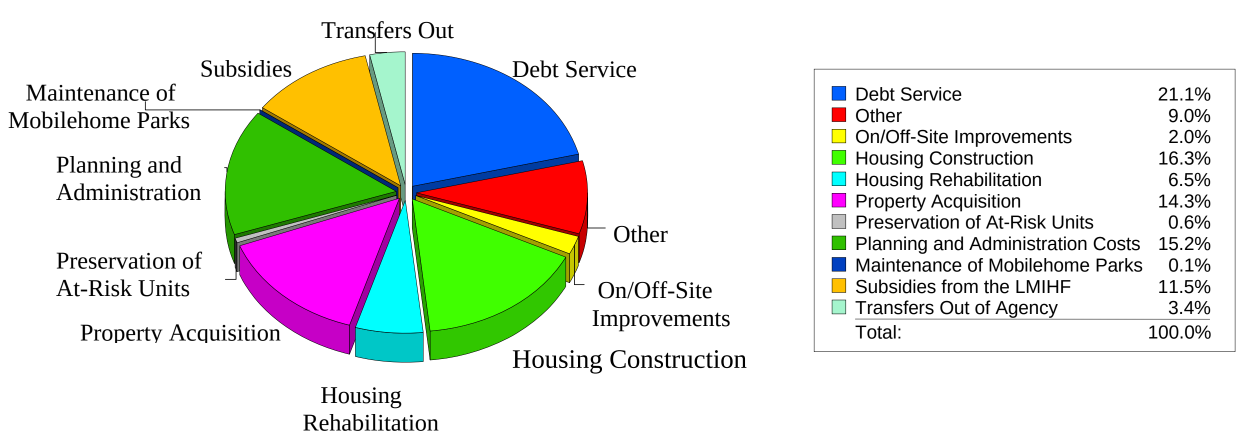


<u>Uses of Housing Funds</u> (Exhibits C-1 through C-8)

Agencies spent $846 million over FY 2003/04, an increase of 3.4 percent over the previous year. Agencies report expenditures by categories not by the income levels of households assisted or type of household (elderly/non-elderly). Agencies reported assisting a total of 24,204 households, of which 20,955 (86.5 percent) were from the Low-Mod Fund. Non-elderly households comprised 62 percent of total households assisted. By income category, agencies reported using their Low-Mod Fund to assist the following households: very-low, 11,185 (53 percent); low, 7,168 (34 percent); and moderate, 2,602 (13 percent). Agencies reported using "other" funds to assist 3,249 units. Of these units, 874 (27 percent) were in the very low category, 1,126 (35 percent) low, 262 (8 percent) moderate and 987 (30 percent) in the above moderate category.

Housing Fund Expenditures ($846 million) are broken down into several major categories as displayed below. The four largest expenditure categories are *Debt Service* (21 percent, $179 million, Exhibit C-5) due to agencies depositing a portion of bond proceeds to the Low-Mod Fund, *Housing Construction* (16 percent, $138 million, Exhibit C-6), *Planning and Administration* (15 percent, $129 million, Exhibit C-7), and *Property Acquisition* (14 percent, $121 million, Exhibit C-3). Some categories consist of several related expenditures that agencies report on Schedule C (see Appendix 2). For example, *Property Acquisition* includes several cost components, such as purchases for land and/or structures, relocation expenses, and site clearance and disposal costs, etc.

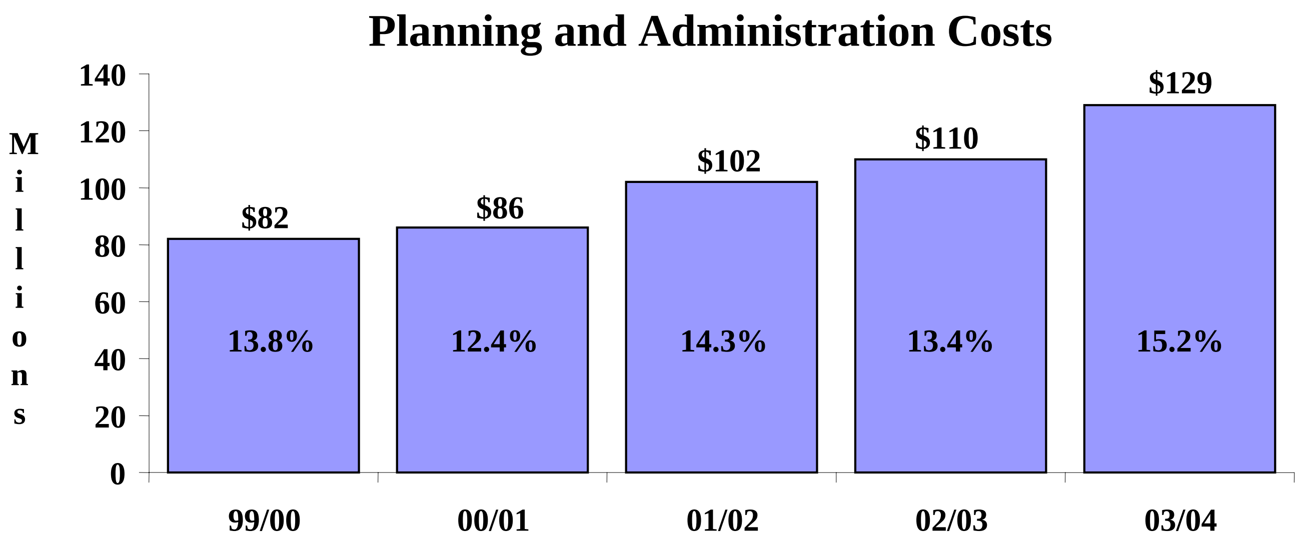
Fiscal Year 2003-2004 Uses of Housing Funds



Debt Service	$178,912,446
Other	$75,793,690
On/Off-Site Improvements	$16,856,952
Housing Construction	$137,826,417
Housing Rehabilitation	$54,594,563
Property Acquisition	$121,015,461
Preservation of At-Risk Units	$4,958,710
Planning and Administration Costs	$128,639,362
Maintenance of Mobilehome Parks	$633,987
Subsidies from the LMIHF	$97,642,542
Transfers Out of Agency	$29,124,768
Total Expenditures:	**$845,998,898**

<u>Planning and Administration Costs</u> (Exhibits C-7 and C-8)

Agencies reported planning and administration costs of $129 million, approximately $19 million more than reported in the prior year. Planning and administration costs represent 15.2 percent of total expenditures, a slight increase compared to other years shown below.



Percentage Reflects Comparison of Planning and Administration Costs to Total Expenses

Exhibit C-7 shows amounts agencies spent on such categories as administration; planning; survey and design; and professional services. Exhibit C-8 shows the percentage of total expenditures agencies reported spending on planning and administration. For FY 03-04, Exhibit C-8 shows 35 agencies reported spending 100 percent of total expenditures on planning and administration (eight more agencies than last year) and 51 other agencies (three more than last year) spending between 50 and 100 percent of total expenditures on planning and administration. The chart on the next page identifies agencies that have, over the last four years, consecutively reported planning and administration expenses of 50 percent or more of total expenditures.

Redevelopment law specifies that agencies' planning and administration charges should "not be disproportionate to the amount actually spent" on affordable housing. Agencies are required to make an annual determination that planning and administration charges are "necessary for the production, improvement, or preservation" of affordable housing. Based on several agency audits the Department has conducted since 1998, some agencies do not make the required annual determination and finding that planning and administration charges are not disproportionate.

As there is much variation among agencies, reasons for high planning and administration costs also vary and may include changes in revenue; staff; and, more particularly, the number, size, and development timeframes of projects. The table below identifies 15 agencies that reported planning and administration costs of more than 50 percent for each of the last four years.

Agencies Reporting Percentage of Planning and Administration Costs Greater Than 50 % of Total Expenditures Over Last Four Fiscal Years				
REDEVELOPMENT AGENCY	**2003-2004**	**2002-2003**	**2001-2002**	**2000-2001**
ATASCADERO RDA	100%	100%	100%	100%
BRAWLEY RDA	69%	61%	54%	84%
CARLSBAD RDA	99%	61%	99%	96%
ESCONDIDO CDC	94%	52%	50%	69%
KINGSBURG RDA	100%	100%	100%	100%
MARYSVILLE RDA	100%	83%	50%	83%
MODESTO RDA	100%	100%	100%	100%
MONTEREY PARK RDA	94%	86%	89%	93%
PLACER COUNTY RDA	77%	52%	50%	71%
RIO VISTA RDA	66%	97%	97%	100%
SAN BRUNO RDA	100%	100%	100%	100%
SAN BUENAVENTURA RDA	78%	100%	100%	100%
SAN CLEMENTE RDA	83%	100%	86%	83%
TORRANCE RDA	77%	78%	74%	64%
TULARE COUNTY RDA	100%	100%	100%	100%

The table below reports the details of agencies' planning and administration costs reported for FY 2003/04.

FY 2003-2004 Planning and Administration Cost Details							
REDEVELOPMENT AGENCY	**FY 03/04 Percent of Total Expenses**	**Admin Cost**	**Indirect Costs**	**Other**	**Planning Survey-Design**	**Professional Services**	**Total**
ATASCADERO	100%	$4,074					$4,074
BRAWLEY	69%	$148,363					$148,363
CARLSBAD	99%	$73,194					$73,194
ESCONDIDO	94%	$2,234,919					$2,234,919
KINGSBURG	100%	$4,742					$4,742
MARYSVILLE	100%	$118,795					$118,795
MODESTO	100%	$49,222					$49,222
MONTEREY PARK	94%	$529,832			$6,695	$36,350	$572,877
PLACER COUNTY	77%	$266,775			$167,393	$14,053	$448,221
RIO VISTA	66%	$62,999					$62,999
SAN BRUNO	100%	$202,793		$42,000		$3,432	$248,225
SAN BUENAVENTURA	78%	$49,170		$23,268	$138,855	$12,685	$223,978
SAN CLEMENTE	83%	$95,241	$87,166			$12,685	$195,092
TORRANCE	77%	$376,086		$1,526			$377,612
TULARE COUNTY	100%	$241,434			$13,327	$20,468	$275,229

<u>Status of Housing Funds and Assets</u> (Exhibits C-1 and C-2)

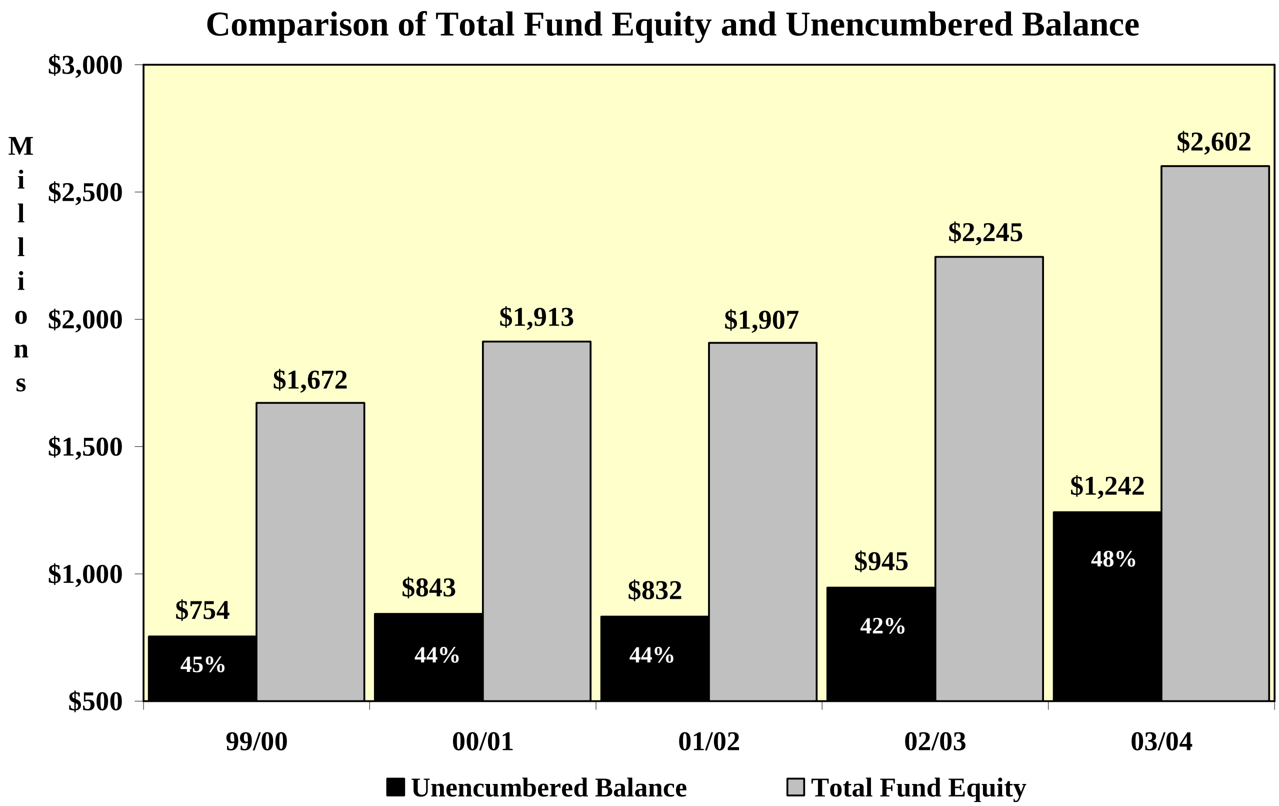
Exhibit C-1 shows redevelopment agencies started FY 2003/04 with an *Adjusted Beginning Balance* of $1.3 billion, $242 million more than the prior year. Agencies ended the year reporting $1.7 billion as *Net Resources Available*, an increase of over $312 million from the previous year. The amount representing *Net Resources Available* is determined by combining the *Adjusted Beginning Balance* ($1.3 billion) with *Project Area Receipts* ($1.05 billion) and *Housing Fund Revenues* ($126 million) and subtracting *Total Expenses* ($846 million).

Agencies reported *Total Fund Equity* (net worth) in excess of $2.6 billion, an increase of more than $333 million compared to last year. *Total Fund Equity* represents the sum of *Net Resources Available* ($1.7 billion) and *Housing Fund Assets* ($915 million). *Housing Fund Assets* (Exhibit C-2) consist of the following: (1) receivable loans totaling $390 million made up of housing and residual receipt loans, (2) transfers to the *Education Revenue Augmentation Fund $10 million*; (3) land holdings of $253 million; (4) accrued deferrals of $176 million; and (5) other assets of $86 million. All *Housing Fund Assets* are considered long-term receivables not immediately available to assist with housing activities.

<u>Funds Available for Future Housing Activities</u> (Exhibit C-1)

Of the nearly $1.7 billion agencies reported as *Net Resources Available,* $445 million was reported as encumbrances which are funds agencies have committed to cover executed agreements and contracts. This leaves $1.2 billion as the *Unencumbered Balance*. From this amount, agencies then report unencumbered funds tentatively designated for specific purposes and the undesignated amount agencies have not yet planned or budgeted for expenditure. At the end of the reporting year, agencies reported designating $431 million for specific activities in the near term. The approximate $811 million remaining represents funds both unencumbered and undesignated that are considered to be currently available to spend on housing activities.

As depicted in the chart on the next page, the Low-Mod Fund's *Unencumbered Balance* comprises 48 percent of *Total Fund Equity*. Compared to FY 2002/03, agencies increased their Low-Mod Fund's *Unencumbered Balance* by $298 million (32 percent) and *Total Fund Equity* by $358 million (16 percent). This year's *Unencumbered Balance* percentage of *Total Fund Equity* (48 percent) increased an additional 6 percent from last year. One reason for a high *Unencumbered Balance* may be agencies choosing to save funds over multiple years for future large or difficult affordable residential projects.



This reporting year, 216 redevelopment agencies reported an unencumbered balance over $1 million, whereas only 178 agencies did last year. Of this year's 219 agencies:

- 152 reported an *Unencumbered Balance* between $1 and $5 million;
- 31 reported between $5 and $10 million and
- 33 ended the year with an *Unencumbered Balance* of more than $10 million. The sum of these agencies' *Unencumbered Balance* is over $651 million, 54 percent of the statewide *Unencumbered Balance* of $1.2 billion.

The table on the next page provides additional information about the 32 agencies that reported ending the current reporting year with an *Unencumbered Balance* over $10 million. The table shows each agency's *Unencumbered Balances* for the last three years and identifies the percentage spent of each year's revenue. The data demonstrates that an agency can have a large *Unencumbered Balance* after spending much of the year's revenues and in some cases more than 100 percent of the year's revenue by spending a portion of the balance accrued from prior years' revenues and debt proceeds. For example, Cerritos ended FY 2003/04 with a higher unencumbered balance compared to other years even though the agency spent more than four times the total amount of revenue received.

Unencumbered Balance Over $10 Million - Last Three Fiscal Years						
	Fiscal Year 2003/04		Fiscal Year 2002/03		Fiscal Year 2001/02	
REDEVELOPMENT AGENCIES	**Unencumbered Balance (Millions)**	**Percent of Revenues Spent**	**Unencumbered Balance (Millions)**	**Percent of Revenues Spent**	**Unencumbered Balance (Millions)**	**Percent of Revenues Spent**
BURBANK	$14.7	89%	$7.3	185%	$15.7	81%
CERRITOS	$12.7	462%	$8.7	48%	$5.1	195%
COMMERCE	$14.2	720%	$1.3	69%	$3.7	66%
CORONADO	$12.4	216%	$11.3	36%	$4.1	180%
CULVER CITY	$13.6	190%	$11.0	53%	$8.3	73%
EL CAJON	$10.4	164%	$10.1	68%	$5.0	159%
FONTANA	$19.6	95%	$20.2	57%	$12.1	51%
FREMONT	$15.6	305%	$12.8	116%	$13.9	41%
GLENDALE	$12.9	147%	$11.0	73%	$9.8	37%
INGLEWOOD	$21.4	95%	$21.8	74%	$20.6	92%
IRWINDALE	$17.2	56%	$24.6	326%	$25.8	109%
LANCASTER	$37.2	197%	$71.9	3%	$4.4	85%
LOS ANGELES CITY	$64.5	178%	$35.3	76%	$39.6	53%
MILPITAS	$18.2	1437%	$6.6	19%	$1.6	16%
NORCO	$11.9	568%	$5.5	22%	$3.6	91%
OAKLAND	$19.4	127%	$4.5	155%	$15.5	213%
ONTARIO	$10.8	63%	$8.8	97%	$11.9	33%
PALM DESERT	$26.6	96%	$19.6	71%	$11.8	64%
POMONA	$19.5	323%	$8.7	92%	$4.4	156%
RANCHO MIRAGE	$35.7	963%	$0.0	100%	$0.0	17%
REDLANDS	$10.2	2326%	$1.6	47%	$1.1	66%
S.F. CITY & COUNTY	$34.9	99%	$40.7	56%	$4.2	140%
SACRAMENTO CITY/COUNTY	$35.2	152%	$27.6	58%	$21.6	108%
SAN DIEGO CITY	$14.1	130%	$6.5	81%	$12.1	92%
SAN JOSE	$18.8	97%	$1.0	96%	$2.0	98%
SAN MARCOS	$18.3	155%	$0.0	58%	$13.4	52%
SANTA ANA	$29.5	156%	$23.6	59%	$17.9	79%
SANTA CLARA CITY	$24.7	258%	$16.5	53%	$17.0	57%
SANTA CRUZ COUNTY	$16.9	140%	$20.5	115%	$17.1	165%
SOUTH SAN FRANCISCO	$13.1	174%	$11.5	83%	$10.8	76%
WEST COVINA	$17.0	129%	$16.1	0%	$12.6	19%
YORBA LINDA	$10.0	98%	$10.1	228%	$14.7	117%

** Percentage greater than 100 percent shows agency spent more than total revenue by spending a portion of the Low-Mod Fund balance accrued over prior years.*

<u>Excess Surplus</u> (Exhibit D)

Excess Surplus is defined as the amount of the housing fund's unencumbered balance that exceeds the greater of: (1) $1 million or, (2) the combined amount of tax increment revenue deposited to the Low-Mod Fund during the preceding four fiscal years. Agencies are permitted to adjust their *Unencumbered Balance* to exclude from the excess surplus calculation both the amount of any unspent debt proceeds and the difference between the fair market value and price of land sold.

Since July 1994, redevelopment agencies have been required to determine the existence of *Excess Surplus* on the first day of each FY and annually report this information. The law (Section 33334.12) specifies administrative and financial penalties, if agencies do not eliminate *Excess Surplus* funds within prescribed time periods. To avoid penalties, agencies must either: (1) transfer the total amount of *Excess Surplus* to the local housing authority within one year or, (2) spend or encumber the remaining *Excess Surplus* within two additional years.

For FY 2003/2004, 51 agencies reported having Excess Surplus totaling $115 million, more than double the amount of $53 million reported for FY 2002/2003 by 46 agencies. Although *Excess Surplus* has been reported in prior years, no agencies are known to have had *Excess Surplus* beyond the three year time period in which penalties would apply. However, as past errors have occurred in calculating and reporting Excess Surplus information, the Department will sample and test agency data for accuracy and take appropriate action.

To improve the accuracy of determining *Excess Surplus*, redevelopment law was amended (Chapter 442, Statutes of 1999 [AB 634]) to require an agency's independent auditor to calculate and report *Excess Surplus* as part of the agency's annual audit. The annual audit report is required to be provided to both the State Controller and the Department. A subsequent amendment (Chapter 741, Statutes of 2001 [SB 211]), specifies that before agencies can amend pre-1994 project area plans to extend the time limit to incur additional debt and continue to receive property tax revenue, agencies must ensure *Excess Surplus* has not been accumulated and submit appropriate information to the Department.

HOUSING ACTIVITIES

This section reports the results of agencies' use of funds (Low-Mod Fund and other) for housing activities. Agencies reported assisting a total of 24,204 households, an increase of nearly 7 percent from the previous year.

Exhibits E through M display housing assistance data in a variety of ways such as by county, agency, project area, and program and/or housing project, based on agency responses to the Department's reporting forms (Schedules A-E in Appendix 2). Data on housing activities that directly assisted eligible households, such as the number of rent subsidies or units constructed or rehabilitated, etc. are reported in Exhibits E through F. Exhibit G identifies the increased inclusionary obligations for future additional affordable units within project areas. These obligations are based on the number of newly constructed units and/or substantially rehabilitated units that were developed in project areas over the reporting year. Exhibits H and I report data on households displaced and dwelling units destroyed or removed.

Exhibits J through M report *Other Housing Activities* that have an indirect or future impact on agencies' housing assistance efforts such as expenditures made for on- and off-site improvements, housing estimated to occur over the next two years, land holdings, and use of agency funds for a homeownership bond program to match certain federal funds.

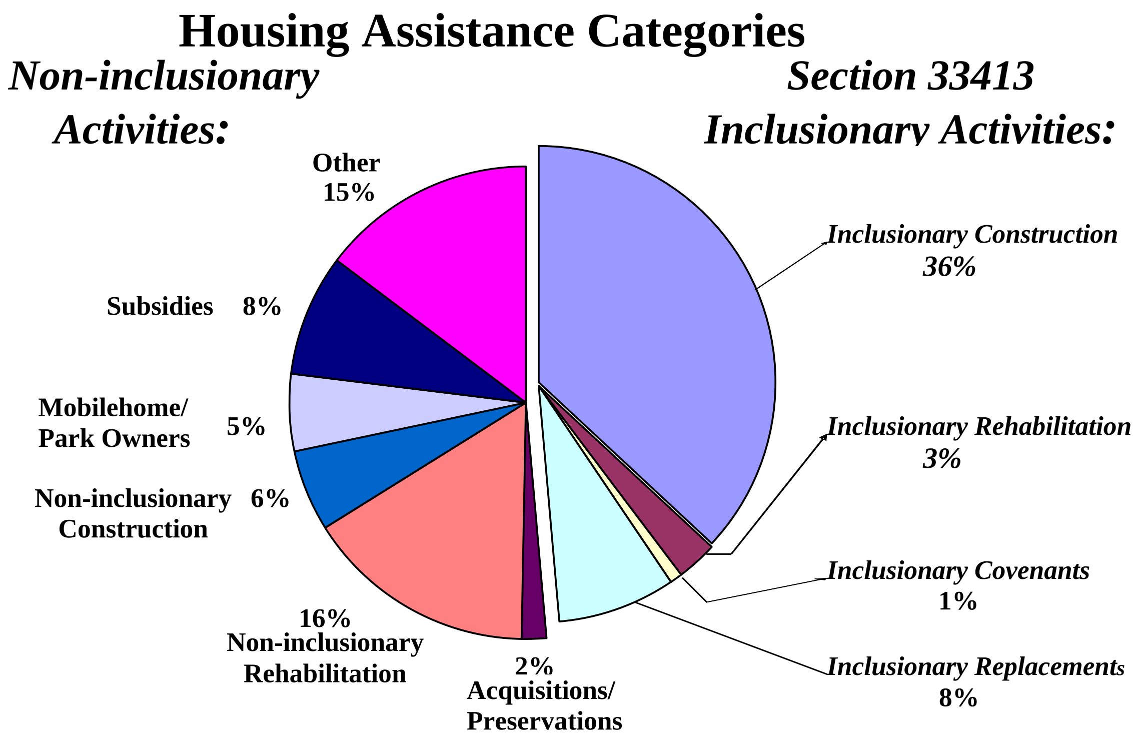
Types of Households Assisted (Exhibits E through F)

Redevelopment law restricts agencies' use of the Low-Mod Fund to "increasing, improving, and preserving" the community's supply of low- and moderate-income housing. Pursuant to Section 33080.4, agencies are required to annually report specified information to the Department such as: (1) number of elderly and non-elderly households assisted, (2) the number of very low-, low-, and moderate-income households assisted with Low-Mod Fund, and (3) the number of above moderate-income households assisted with agencies' other (non Low-Mod Fund) funds, see Exhibits E through Exhibit F.

Exhibit F-1 shows redevelopment agencies reported assisting 9,046 elderly and 15,158 non-elderly households. Exhibit F-4 describes the following households/units assisted, by income category, using the Low-Mod Fund: 11,185 very low, 7,168 low and 2,602 moderate. Using "other funds" agencies reported assisting, by income category, the following households/units: 874 very low, 1,126 low, 262 moderate and 987 above moderate.

Kinds of Housing Activities (Exhibits E through F)

Housing assistance activities vary from agency to agency to address the different needs within communities and project areas. Agencies report statutorily required information on Department forms (Schedules A-E at Appendix 2). Information reported on housing assistance activities ranges from developing more affordable units to subsidizing housing costs and/or providing grants to low- and moderate-income homeowners to help with repairs. The chart below shows all reported housing assistance activities for FY 2003/04.



Certain housing activities trigger the replacement and inclusionary requirements of Health and Safety Code Section 33413. This section of law requires agencies to ensure, within a specified timeframe, that additional units are affordable to eligible households either because affordable units were destroyed or additional units were constructed or substantially rehabilitated within project areas. Before the law was amended by AB 1290 (Chapter 942, Statutes of 1994), the types of housing meeting the replacement requirements of Section 33413(a) and the inclusionary requirements of Section 33413(b) consisted of new construction and rehabilitation. Since 1994, inclusionary requirements can be met by new construction and substantial rehabilitation housing activities and, up to 50 percent, by acquisition of affordability covenants.

Number of Households Assisted by Activity (Exhibits E through F)

As stated previously, redevelopment agencies statewide assisted 24,204 households this reporting year versus 22,549 households last year. The table on the next page reports the number of households assisted by housing activity. Activities are categorized according to whether the assistance met the replacement and/or inclusionary requirements of Section 33413 or whether the activity represents other housing assistance. Also reflected is whether the assistance was provided with Low-Mod Fund or other agency funds.

FY 2003-2004 Total Housing Activities and Households Assisted

Section 33413 Requirement	Activity: Low-Mod Fund LMIHF	Activity: Other Funds	Total Section 33413	Other Housing Assistance	Activity: Low-Mod Fund LMIHF	Activity: Other Funds	Total Other Housing	TOTAL Households (All Funds)
INCLUSIONARY	**8,489**	**0**	**8,489**	Other Assistance	3,097	259	**3,356**	
Construction	7,721	0	7,721	Other Construction	1,172	1,508	**2,680**	
Rehabilitation Pre 94	59	0	59	Other Rehab	2,763	617	**3,380**	
Subst Rehab Post 93	516	0	516	Other Subst Rehab	559	382	**941**	
Acquire Covenant	193	0	193	Acquired/Preserved *	424	162	**586**	
REPLACEMENT	**1,701**	**0**	**1,701**	Manufactured / Mblhomes & Parks *	1,095	182	**1,277**	
				Subsidy	1,748	46	**1,794**	
Total	**10,190**	**0**	**10,190**	**Total**	**10,858**	**3,156**	**14,014**	**24,204**

For detailed information identifying agencies (by county, agency, and project area) and the kinds of housing assistance provided to households based on level of income, refer to Exhibits E-1 through E-12. Exhibits F-1 through F-4 summarizes Exhibit E data in different ways. For example, Exhibit F-1 summarizes which agencies engaged in various activities and identifies the number of households assisted, by income category, according to activity, county of residence, and whether assistance was provided to an elderly or non-elderly household. Exhibit F-2 categorizes housing activities by area (inside or outside of project areas), and whether the activity was reported as agency or non-agency assisted. Activities in Exhibit F-3 reflect those that agencies reported as other assistance or that met a Section 33413 replacement or inclusionary requirement in which agencies are required to ensure units remain affordable for at least 45 years for owner-occupied units or 55 years for renter-occupied units. Exhibit F-4 sorts activities based on whether agencies used the Low-Mod Fund or other funds.

Section 33413 Inclusionary Activities (Exhibits E 1-4, F 1-4, and G)

Inclusionary activities refer to housing units with long-term affordability restrictions that agencies control for sufficient years (at least 45 pursuant to amendments made in 2001) to meet the requirements of Health and Safety Code Section 33413(b). The requirements of this section are commonly referred to as either the inclusionary or production requirements because agencies must ensure a specified percentage of project area housing units are affordable. Section 33413(b) applies to housing that is constructed or substantially rehabilitated within project areas. Agencies are required, within ten years, to ensure a specific percentage of units are provided as affordable to low- and moderate-income households and to further ensure such units remain affordable for the longest feasible time, but not less than 45 years for owner-occupied units or 55 years for rentals.

For dwelling units that agencies develop, the inclusionary requirement is 30 percent, of which at least half must be affordable to very low-income households. For non-agency developed dwelling units, the inclusionary requirement is 15 percent of which at least 40 percent must be affordable to very low-income households. Agencies can count the following activities toward fulfilling their inclusionary obligation: units constructed, units substantially rehabilitated, and multifamily units in which agencies have acquired long-term affordability covenants.

Prior to 1994, any kind of rehabilitation activity within project areas increased agencies' inclusionary obligation to provide more affordable units within 10 years. Chapter 942, Statutes of 1993 (AB 1290) specifies that rehabilitation must be substantial, which is defined as an increase of at least 25 percent in the value of the property after rehabilitation, including the value of land.

The "2-for-1" inclusionary provision was also introduced by AB 1290. This provision allows agencies to meet their "project area" inclusionary housing obligation by producing two affordable units outside the project area for every inclusionary unit required inside the project area.

<u>New Construction</u> (Exhibit E-1)

Agencies reported assisting a total of 11,596 newly constructed units, 31 percent more than last year's 8,877. Of this year's total new units assisted, 10 percent were reported as replacements (1,195) as a result of having removed affordable units from project areas due to a redevelopment project, 67 percent (7,721) were reported as having long-term affordability restrictions to meet the inclusionary provision of Section 33413 that requires a specified percentage of new units to be affordable, and 23 percent (2,680) were reported as other (non-inclusionary) construction. Most inclusionary new construction was reported as non-agency developed (5,883) versus agency developed (1,838). New construction assistance from the Low-Mod Fund benefited owner and renter households among the following income levels: 5,249 very low (45 percent), 4,103 low (35 percent), and 1,534 moderate (13 percent). The remaining new construction, reported as 710 above moderate-moderate units (6 percent of total new construction), were developed with monies that did not come from the Low-Mod Fund. Most construction, inclusionary and non-inclusionary, was inside project areas (6,603 units) rather than outside project areas (4,993 units).

<u>Rehabilitation—Pre-1994</u> (Exhibit E-2)

Agencies reported 171 units as having been rehabilitated, substantially fewer than the 667 reported last year. Low-Mod Funds were used to assist 73 very low-, 80 low-, and 18 moderate-income households of which 59 were reported as meeting inclusionary requirements. The majority of rehabilitated units (156) was reported as non-agency developed with most (151) being inside rather than outside of project areas.

<u>Substantial Rehabilitation—Post-1993</u> (Exhibit E-3)

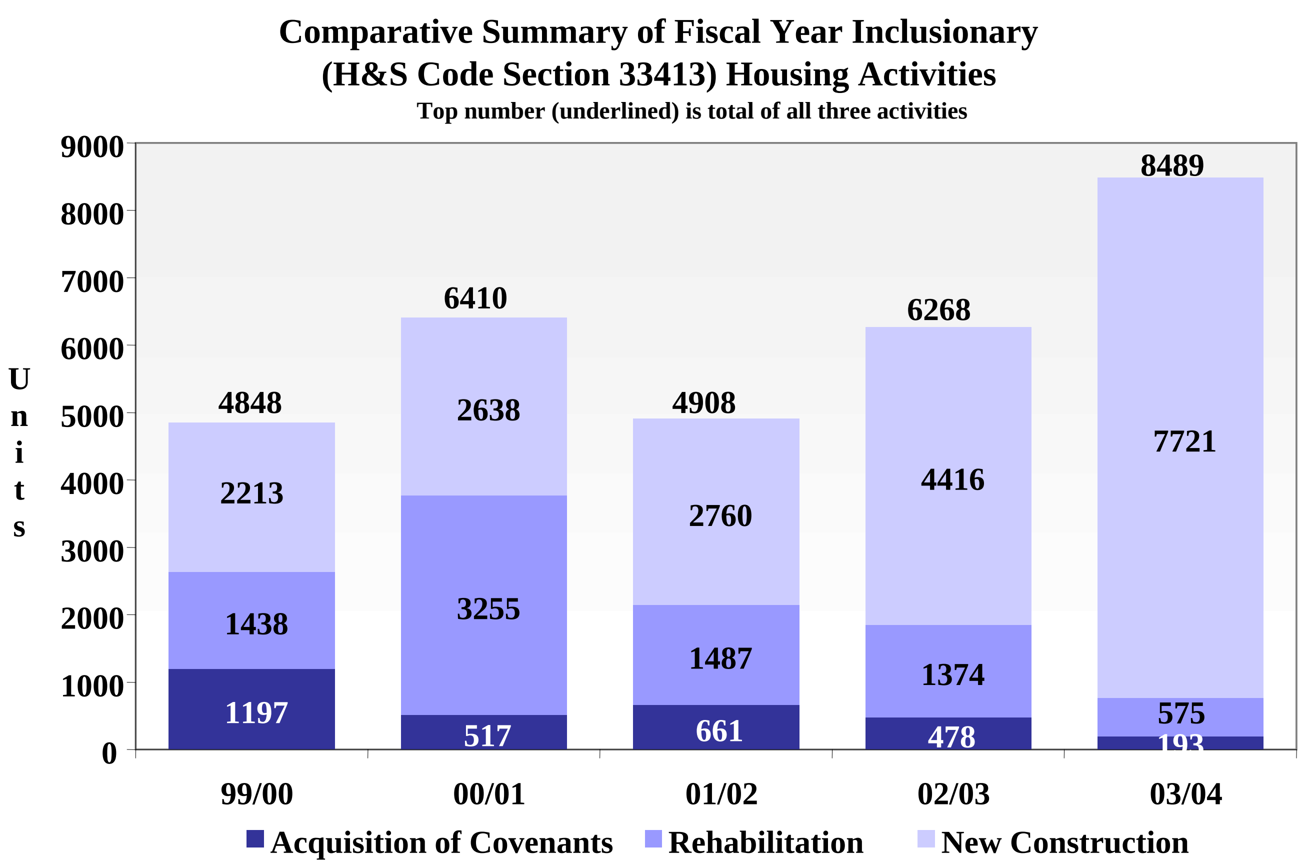
Activity reported as Substantial Rehabilitation decreased as agencies reported using the Low-Mod Fund to assist 910 households (that includes 516 inclusionary units and 394 replacement units) versus 955 in the prior year. By income category, assisted households included: 428 very-low, 463 low, and 19 moderate. Agency developed units were reported as 376 and non-agency developed units were 534. A slightly greater number of units (572 or 63 percent) were assisted inside project areas.

Acquisition of Affordability Covenants (Exhibit E-4)

Agencies can meet up to 50 percent of their inclusionary obligation by purchasing covenants on multifamily units restricting rents to affordable levels for units that are not currently affordable or not expected to remain affordable. During FY 2003-2004, agencies assisted 193 households, considerably less than the 478 reported last year. Households, by income level, represented 138 very low and 54 low and one moderate. Affordability covenants purchased within project areas benefited 58 households whereas 135 were assisted outside of project areas.

Summary of All Inclusionary Housing Activities (Exhibits F-1 through F-4)

The chart below profiles five years of inclusionary housing activities assisted with Low-Mod Funds and reflects units that have long-term affordability restrictions complying with inclusionary requirements. Yearly fluctuations reflect the moving time periods (10 years) in which agencies are required to fulfill the inclusionary or production obligation incurred over a particular year (e.g. an obligation incurred in 1994 may have been met in 1995 or 2004).



<u>Increase in Inclusionary Obligation</u> (Exhibit G)

For FY 2003/04, Exhibit G reports agencies increased their inclusionary obligation and must ensure, within the next ten years, an additional 2,723 units remain affordable. Agencies' increased inclusionary obligation resulted from project area new construction (15,736) consisting of 1,471 agency developed new units and 14,265 non-agency developed new units and substantial rehabilitation (697) consisting of 246 reported as agency developed and 451 reported as non-agency developed. Inclusionary obligations incurred this year (2,723 units) are slightly above last year's (2,235 units).

<u>Section 33413 Replacement Housing Activities</u> (Exhibits F-1 through F-4)

Exhibit F-3 shows agencies reported 1,701 units toward meeting their replacement Section 33413(a) obligations. In the prior year, 1,545 replacement units were reported. Replacement obligations are required to be met within four years of removing dwelling units from the housing stock. Agencies reported meeting part of their replacement requirements from new construction (1,195) and substantial rehabilitation (506) activities. Agencies developed 255 units whereas non-agency entities developed 1,446 of all replacement units.

Agency developed replacement units within project areas totaled 236 compared to 19 outside of project areas. For non-agency developed replacements units, 914 were within project areas and 532 were outside of project areas.

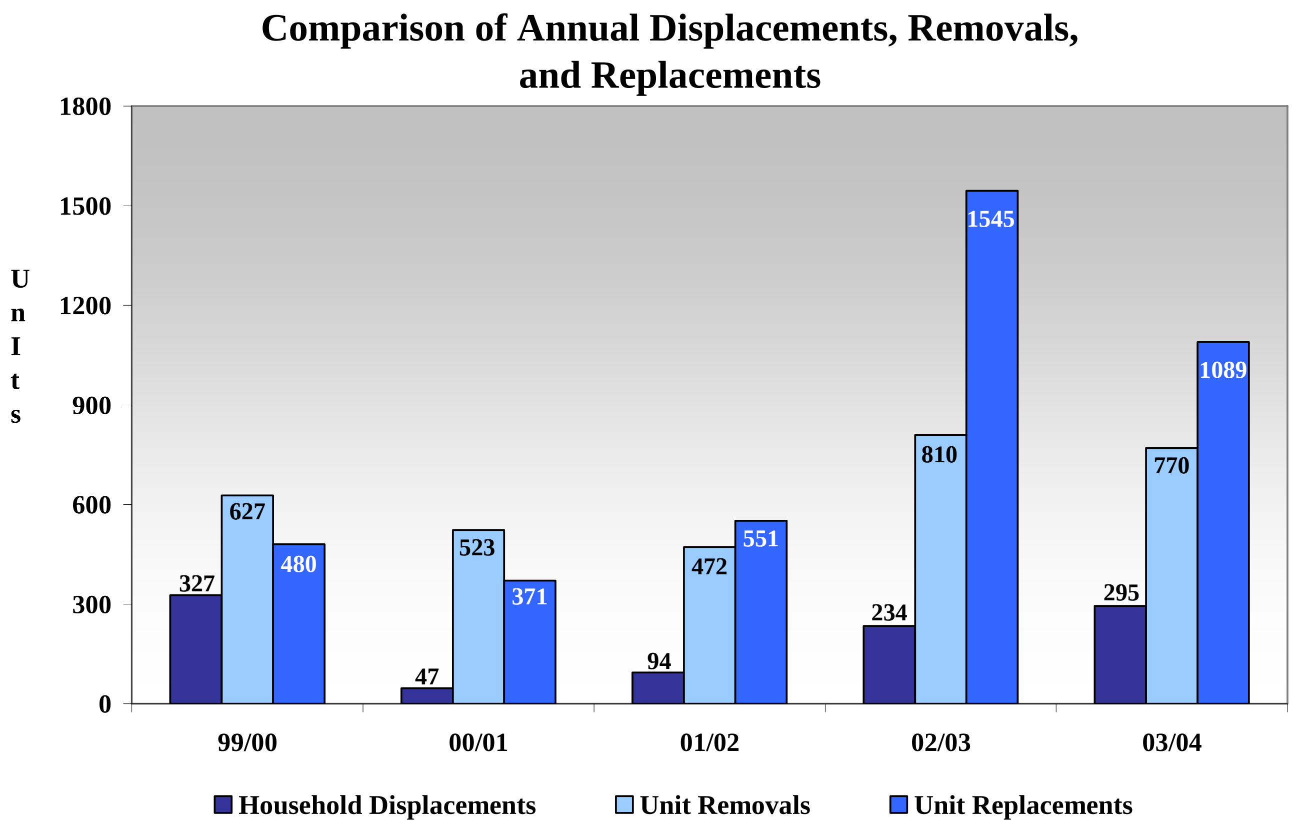
<u>Housing Units Removed and Households Displaced</u> (Exhibits H through I)

As cited in Health and Safety Code Section 33413(a), whenever dwelling units housing persons and families of low- or moderate-income are destroyed or removed from the low- and moderate-income housing stock as part of a redevelopment project, the agency must replace these units within four years. However, an agency may replace destroyed or removed dwelling units with a fewer number of replacement dwelling units providing the number of bedrooms among all replacement dwelling units equal or exceed the total number of bedrooms of all destroyed or removed units.

Exhibit H-1 reports 770 affordable units were removed within project areas and Exhibit H-2 shows agencies should replace, within four years, 1,089 units and ensure that replacement units provide at least 2,189 bedrooms. Dwelling units destroyed included 174 occupied by elderly households and 596 occupied by non-elderly households.

As for households displaced over the reporting year (Exhibit I-1), agencies reported 42 as elderly and 214 as non-elderly households. Exhibit I-2 provides agency displacement estimates for the next reporting year indicating agencies anticipate displacing 295 households (14 elderly and 281 non-elderly). Prior to displacing households, agencies are required to develop relocation and replacement housing plans pursuant to Section 33411.

The chart below shows agencies' displacement, removal, and replacement activities over the last five years.



<u>Other Housing Assistance Activities</u> (Exhibits E, F, and J through M)

Assistance identified in these exhibits excludes inclusionary and replacement activities and involves assisting households with the Low-Mod Fund and/or other funds such as federal and State grants and optional amounts from agencies' other funds such as from 80 percent of tax increment not required to be set-aside for affordable housing purposes. Since agencies can use funds other than the Low-Mod Fund to assist households, some activities reported in Exhibit E through Exhibit F identify above moderate-income households. The new construction and substantial rehabilitation reported as "other" activities represent units agencies did not claim for inclusionary credit, most likely because such units lacked adequate affordability restrictions.

Agencies reported providing many other (non-inclusionary or non-replacement) kinds of assistance to 14,014 households. Most (10,765) were assisted with the Low-Mod Fund. Exhibit F-4 shows agencies used other funds (not the Low-Mod Fund) for some new construction to assist a total of 1,508 households of which 710 were above moderate-income households.

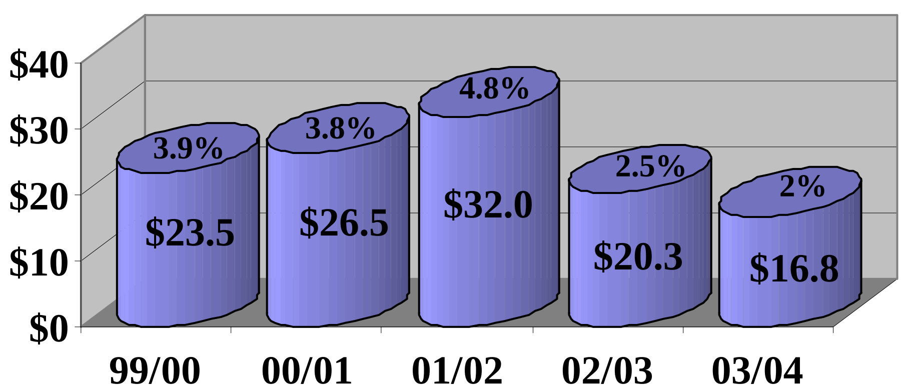
Other reported kinds of activities (funded by a combination of funding sources) and the number of households benefiting were: construction (2,680); substantial rehabilitation (941); rehabilitation (3,380); dwelling unit acquisitions (424); preservation of affordable units including subsidized units at-risk of conversion to market-rate rents (162); manufactured home or mobilehome residents (732) and manufactured home or mobilehome residents who are park owners (545); providing subsidies (1,794) such as for monthly rent; and miscellaneous other (3,356) such as providing small grants to assist owners with repairs.

On- and Off-site Improvements (Exhibit J)

Redevelopment law allows agencies to use the Low-Mod Fund for site improvements when such improvements directly benefit housing units affordable to low- and moderate-income households. Improvements must be part of a program to benefit affordable housing units or be determined by the agency as necessary to eliminate a condition jeopardizing the health or safety of persons occupying restricted affordable housing units. An example of spending Low-Mod Funds to remedy a health or safety issue would be the removal of contaminated soil near a subsidized affordable housing project.

Over the last five years, expenditures for site improvements have fluctuated between 2 percent to almost 5 percent of agencies' total expenditures. This year, Exhibit C-6 shows agencies reported spending $16.8 million ($3.4 million less than last year) for site improvements benefiting 1,931 affordable housing units. Improvements were reported as benefiting 822 new units and 436 rehabilitated units and eliminating a health or safety hazard impacting 673 units.

On/Offsite Improvements
Costs and Percentage of Total Expenditures

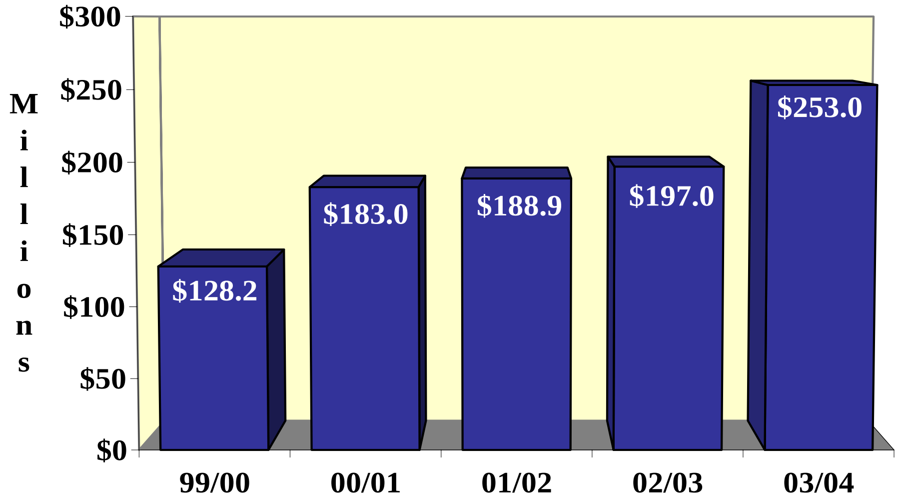


Future Construction (Exhibit K 1-2)

Exhibit K-1 identifies agencies' estimates of affordable units anticipated to be completed over the next two fiscal years based on executed development agreements and contracts. The financial obligations attached to these contracts are reflected as part of encumbered dollars. A total of 19,945 units are estimated to be developed to accommodate 9,460 very low-income households, 7,151 low-income households, and 3,334 moderate-income households. As reported in Exhibit K-2, agencies expect most construction over the next two years to occur inside project areas (12,858) as opposed to outside of project areas (7,087). Last year, agencies projected similar total activity (20,048), with 65 percent estimated to occur inside versus outside of project areas.

Land Holdings (Exhibit L)

Exhibit L contains information reported by 108 agencies regarding specific sites, acreage, zoning, dates of acquisition, and estimated dates when affordable housing projects may begin. Land being held for future affordable housing projects total 488 sites approximating 1,082 acres (last year, 411 sites encompassed 1,502 acres). Agencies also reported values of land holdings as an additional asset (refer to Exhibit C-2). The values of land holdings over the last five years are shown below.



Redevelopment law, Health and Safety Code Section 33334.16, requires agencies to initiate development activities within five years of land acquisition; however, agencies are permitted one five-year extension. Land not developed within the required time period must be sold, with agencies depositing the proceeds in the Low-Mod Fund. Chapter 362, Statutes of 1999, (SB 497) amended the law to require agencies' independent auditors to determine agency compliance. Auditors are required to provide their findings to the State Controller (SCO) to follow-up and resolve findings of major violations, such as failure to develop or dispose of land. The SCO, by June 1, is required to report unresolved major violations to the Attorney General (AG) for action. Since the amendment went into effect, the SCO's most current report (FY 2002/03) indicates auditor findings have identified four agencies that failed to timely initiate development and/or dispose of land holdings. The SCO's report does not specify which agencies were found to be in violation and does not discuss SCO resolution or AG referral and resolution.

<u>Miscellaneous Plans and Information</u> (Exhibit M)

To assist homebuyers, including persons and families with an above moderate-income, redevelopment law allows agencies to contribute other funds (non Low-Mod Funds) and also spend Low-Mod Funds to assist above moderate-income homebuyers, but only when agencies comply with other specific requirements. This year, 17 agencies reported spending some Low-Mod Funds to assist above moderate-income homebuyers, pursuant to Section 33334.13. This section requires agencies, within two years of assisting above moderate-income persons, to expend twice the total sum of assistance to exclusively increase and improve the supply of affordable housing to lower-income households. In addition, at least 50 percent of these required expenditures must benefit very low-income households.

Seven agencies reported using other funds (non Low-Mod Funds) pursuant to Section 50836(b) to assist homebuyers. Agency assistance was provided to support the federal HOME affordable housing grant program and participate in funding projects that receive federal funding, pursuant to either Title II or IV of the Cranston-Gonzolez National Affordable Housing Act.